FINANCIAL SECTION

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Management's Discussion & Analysis

INDEPENDENT AUDITOR'S REPORT, PAGE 1

To the Board of Administration
California Public Employees' Retirement System
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of fiduciary net assets of the fiduciary funds and the statement of net assets of the proprietary funds of the California Public Employees' Retirement System (the System or CalPERS), a component unit of the State of California, as of June 30, 2011, and the related statement of changes in fiduciary net assets of the fiduciary funds, and the statements of revenues, expenses and changes in net assets and cash flows of the proprietary funds for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2010 financial statements on which our report dated November 17, 2010, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds and proprietary funds of the California Public Employees' Retirement System as of June 30, 2011, and the changes in financial position of the fiduciary funds and the changes in financial position and cash flows of the proprietary funds for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 5, actuarial data presented for the California Employers' Retirement Benefit Trust Fund was derived from actuarial valuations performed by actuarial firms engaged by participating employers. Actuarial valuations must comply with the CalPERS OPEB Assumption Model, which requires the use of specified actuarial methods and assumptions.

Also discussed in Note 5 to the financial statements, actual contributions made by the State of California to the Judges Retirement Fund were significantly less than the actuarially determined annual required contributions. State of California contributions were used to fund benefit payments of the current period. As such, the Judges Retirement Fund does not retain the accumulated contributions of active members. Management and legal counsel believe the State of California is legally required to provide contributions to fund benefits when due.

INDEPENDENT AUDITOR'S REPORT, PAGE 2

As discussed in Note 9, the determination of the estimated liability for future policy benefits in the California Employers' Long-Term Care Fund is very sensitive to the underlying actuarial assumptions.

As described in Note 10, based on the most recent actuarial valuation of the Public Employees' Retirement Fund as of June 30, 2010, the System's actuaries determined that, at June 30, 2010, the actuarial accrued obligation exceeded the actuarial value of its assets by $51.3 billion. The most recent actuarial valuation does not reflect the impact of the remaining deferred investment losses from fiscal year 2009.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Funding Progress and the Schedules of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental schedules in the financial section are presented for purpose of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Sacramento, California
November 15, 2011

INTRODUCTION

This section presents Management's Discussion and Analysis of the California Public Employees' Retirement System's (CalPERS or the System) financial performance during the fiscal year ended June 30, 2011. It is a narrative overview and analysis that we present in conjunction with the Chief Executive Officer's Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the basic financial statements of CalPERS, as presented in this report.

In addition to historical information, the Management's Discussion and Analysis includes certain forward-looking statements which involve certain risks and uncertainties. CalPERS actual results, performance, and achievements may differ from the results, performance, and achievements expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, and legislative changes, as well as other factors.

CalPERS is primarily responsible for administering retirement benefits, health benefits, long-term care benefits, and supplemental retirement savings plans. CalPERS comprises a total of 13 funds, including four defined benefit pension funds, one other post-employment benefit fund, three defined contribution pension funds, three proprietary funds, and two agency funds. The Public Employees' Retirement Fund (PERF) is the primary fund administered by CalPERS.

FINANCIAL HIGHLIGHTS

Public Employees' Retirement Fund (PERF)

- The net assets of the PERF increased by $40.1 billion, or 19.9 percent. The PERF fund investments which include cash equivalents, global equity, fixed income, inflation-linked, and private equity performed well. In addition, real estate portfolio moved back into positive territory after reductions in value during the financial crisis and recessions. As a long-term investor, CalPERS must view investment performance across a multi-year horizon.
- The PERF net rate of return on investments was 21.7 percent on a fair value basis, approximately 13.95 percentage points more than the actuarially assumed 7.75 percent investment return.
- On June 17, 2009, the CalPERS Board of Administration adopted a modification to the contribution rate smoothing policy. This modification phased in the short-term impact of the fiscal year 2008-09 investment loss over three fiscal years, beginning in the 2010-11 fiscal year for State and School employers, and in the 2011-12 fiscal year for Public Agencies. Without this change, employer contributions rates would have increased dramatically despite the investment market rebound in fiscal years 2009-10 and 2010-11.

  In 2010-11, PERF investment return was 21.7 percent. As a result of this return, employer rates are still expected to increase but at a much slower pace. Most employer contribution rates (for fiscal year 2012-13 for the State and Schools and 2013-14 for Public Agencies) are not expected to increase by more than 1 percent of payroll as a result of the phase in of the 2008-09 investment loss. However, to the extent CalPERS earns its assumed 7.75 percent investment return in 2011-12, the employer rates (for fiscal year 2013-14 for the State and Schools and 2014-15 for Public Agencies) are expected to increase in most cases between 0.1 percent and 0.6 percent of payroll and, potentially more if CalPERS earns less than 7.75 percent. In the 2010-11 fiscal year negotiations took place between the State and employee labor groups. Those negotiations resulted in an increase in member retirement contributions for all State employees with the exception of California State University (CSU) employees. For all State plans, new state employees hired on or after January 15, 2011 (with no prior state service) are subject to lower retirement formulas and benefits based on highest average annual compensation during a consecutive 36 month period.

  In order to help employers understand such risk, CalPERS is now providing an investment return sensitivity analysis in all its actuarial valuation reports.
- As of June 30, 2010, the date of the most recent actuarial valuation, the PERF was funded at 83.4 percent, based on the actuarial value of assets. A better measure of benefit security is the funded status on a market value of assets basis. On that basis, as a result of the positive 13.3 percent investment return in 2009-10, the funded status improved

from 60.8 percent at June 30, 2009, to 65.4 percent at June 30, 2010.

- The PERF paid $14.2 billion in retirement benefits to 528,343 annuitants during the 2010-11 fiscal year, compared to $13.0 billion paid to 505,862 annuitants during the 2009-10 fiscal year. Benefit payments increased primarily due to an increase in the number of retirees and the average benefit amount, including cost-of-living adjustments (COLA).
- The total active and inactive membership was 1,103,426 at June 30, 2011. The PERF received $3.6 billion in member contributions from 791,219 active members and $7.5 billion in employer contributions from 1,574 employers during the 2010-11 fiscal year, compared with $3.4 billion and $7.0 billion in member and employer contributions respectively, in fiscal year 2009-10.

Additional financial information related to the other pension funds administered by CalPERS is included in the Financial Analysis of CalPERS Funds section of the Management's Discussion and Analysis.

Investments

During the 2010-11 fiscal year, the PERF net assets increased from $201.6 billion to $241.8 billion. The increase in assets was largely driven by growth of our global equity investments which started the fiscal year with $91.9 billion in assets and increased to $116.7 billion. The 27.0 percent increase in global equity investments was due to a rebound of global equity markets.

Other Post-Employment Benefits, Health and Long-Term Care Programs

- Contributions to the California Employers' Retiree Benefit Trust Fund (CERBTF) were $758.3 million, with investment income of $331.5 million. The net asset value of the CERBTF at June 30, 2011 was $1.9 billion.
- CalPERS administers the PERSCare, PERS Choice, and PERS Select self-funded health care programs. Financial activity for these programs is accounted for through the Public Employees' System Health Care Fund (HCF). The CalPERS self-funded health care program incurred an operating loss of $64.0 million from operations, and unrestricted net assets decreased by $41.5 million to $365.9 million. The reduction in unrestricted net assets was due to an increase in incurred claims, and also, in fiscal year 2009-10, CalPERS Board elected to grant a two-month premium holiday during which participants did not have to pay for health care premiums. The two-month premium holiday totals approximately $260 million which resulted in loss in potential investment earnings and reduced the investment income in fiscal year 2010-11
- The unrestricted net assets of the CalPERS Long-Term Care Program amounted to $671.0 million at June 30, 2011. This amounts to an average of $4,339 for each of the 154,637 enrollees. The Long-Term Care Program collected $314.1 million in premiums, and the approximate average annual premium per person was $2,031. Unrestricted net assets of $671.0 million represent an increase of $789.5 million from the deficit of $118.5 million as of June 30, 2010. The increase in unrestricted net assets from the prior year deficit is attributable to the slight increase in premiums revenue due to the increase in monthly premium rates ranging from $107 - $180 in fiscal year 2009-10 to $130 - $219 in fiscal year 2010-11, the premiums increase was offset by approximately 5,000 enrollees who left the program in fiscal year 2010-11 because of the rate increase; positive investment performance from a robust global equity market; and a revised projected investment return of 6.25 percent for projection years one through 10, and 7.60 percent for projection years 11 and beyond. This change in the investment rate of return assumption from the previous assumption of 6.38 percent resulted in a reduction of estimated liabilities. Additionally, it reflects an update to the expected returns that is consistent with the Long-Term Care Program's revised asset allocation and the methodology used to set the assumed rate of returns for the pension programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis provides an introduction to and overview of the CalPERS basic financial statements, which comprise the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Schedules. Collectively, this information presents the combined net assets held in trust for pension benefits, other post-employment benefits, and the combined unrestricted net assets for each of the other funds administered by CalPERS as of June 30, 2011. It also summarizes the combined changes in net assets held in trust for pension and other post-employment benefits, the combined changes in unrestricted net assets, and the cash flows of the proprietary funds for the year then ended, along with an actuarial view on the funded status of the defined benefit pension and other post-employment plans. The information available in each of these sections is briefly summarized as follows.

Fund Financial Statements

CalPERS Board of Administration owes fiduciary duty for the investments in both the Fiduciary and Proprietary funds. At June 30, 2011, financial statements are presented for the two types of funds administered by CalPERS: fiduciary funds, where CalPERS acts in a fiduciary capacity as a trustee or agent for others and is responsible for handling the assets placed under its control; and proprietary funds, where fees are charged for services provided and the focus is on determining financial position, operating and non-operating income, cash flows and changes in net assets.

Fiduciary Funds — include pension trust funds, one other post-employment defined benefit fund, and two agency funds. The defined benefit plans administered by CalPERS include the PERF, Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRF II), and the California Employers' Retiree Benefit Trust Fund (CERBTF). The defined contribution plans administered by CalPERS include the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Agency Deferred Compensation Program (IRC 457), and the Supplemental Contributions Program Fund (SCPF). The remaining fiduciary funds are the Contingency Reserve Agency Fund (CRF), and the Replacement Benefit Fund (RBF). The fiduciary funds are used to account for resources held for the benefit of CalPERS participants. A statement of fiduciary net assets and a statement of changes in fiduciary net assets are presented for the fiduciary funds as of and for the year ended June 30, 2011, along with comparative total information as of and for the year ended June 30, 2010. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year end, as well as the changes in those resources during the year.

Proprietary Funds — include the following enterprise funds: the Public Employees' Health Care Fund (HCF), the Public Employees' Contingency Reserve Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF). Proprietary funds are used to account for CalPERS business-type activities, where fees are charged to cover the costs of certain services, including health care, long-term care, and other benefits. A statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented for the proprietary funds as of and for the year ended June 30, 2011, along with comparative total information as of and for the year ended June 30, 2010. These financial statements reflect the net assets, changes in net assets, and cash flows resulting from CalPERS business-type activities.

Notes to the Basic Financial Statements

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information provided in the fund financial statements. Information available in the notes to the financial statements is described below.

Note 1 — provides a summary of significant accounting policies, including the basis of accounting for each of the fund types: investment accounting policies, management's use of estimates, and other significant accounting policies.

Note 2 — provides a general description of CalPERS, as well as a concise description of each of the funds administered by CalPERS. Information regarding employer and member participation in the pension plans and other post-employment benefit plans administered by CalPERS is also provided.

Note 3 — provides information on cash and cash equivalents.

Note 4 — describes investments, including investing authority, investment risk categorizations, and additional information about cash, securities lending, and derivatives.

Note 5 — provides information about employer contributions to the pension and other post-employment benefit funds administered by CalPERS.

Note 6 — provides information on commitments.

Note 7 — provides information on potential contingencies of CalPERS.

Note 8 — provides detailed information on the estimated claims liability of the HCF.

Note 9 — provides information regarding the LTCF June 30, 2011 actuarial valuation.

Note 10 — provides information regarding the funded status and actuarial assumptions for the PERF, LRF, JRF, JRF II, and CERBTF.

Note 11 — provides information regarding subsequent events.

Required Supplementary Information

Because of the long-term nature of public defined benefit pension and other post-employment benefit plans, financial statements for the past year alone cannot provide sufficient information to properly reflect the funding progress of the plans. Therefore, in addition to the basic financial statements, two required schedules of historical trend information related to the defined benefit and other post-employment benefit plans are presented as part of the Required Supplementary Information (RSI) section of the basic financial statements. These two schedules are the Schedule of Funding Progress and the Schedule of Employer Contributions. These schedules are based on the actuarial valuations for the pension plans performed by CalPERS actuaries and the other post-employment benefits valuations performed by sponsoring employers' actuaries, and provide additional actuarial information that contributes to the understanding of the changes in the actuarial funding and the funding progress of these defined benefit pension and other post-employment benefit plans over the past six years. The actuarial information is based upon assumptions made about future events at the time the valuations were performed, and, therefore, the amounts presented are management's estimates. Also included as part of the RSI, is the Schedule of Claims Development Information for the HCF.

Other Supplemental Schedules

Other schedules include detailed information on administrative expenses incurred by CalPERS-administered funds, as well as investment and other professional services expenses incurred, and of changes for agency funds.

FINANCIAL OVERVIEW OF CalPERS FUNDS

Fiduciary Funds

Collectively, the net assets held in trust for all fiduciary funds were a total of $245.8 billion at June 30, 2011, an increase of $41.1 billion (20.1 percent) from $204.7 billion at June 30, 2010.

Additions to net assets held in trust for benefits include employer and member contributions as well as investment income/loss. For the 2010-11 fiscal year, total additions were $56.8 billion, an increase of $19.5 billion from the 2009-10 fiscal year. Deductions consist primarily of retirement, death, and survivor benefits, refunds, administrative expenses, participant withdrawals, and OPEB reimbursements. For the 2010-11 fiscal year, total deductions were $15.7 billion, an increase of $1.6 billion (11.3 percent) from the 2009-10 fiscal year.

Investments

Fiduciary fund investments, excluding securities lending collateral, totaled $243.6 billion at June 30, 2011, an increase of $36.7 billion (17.7 percent) from $206.9 billion at June 30, 2010. The increase was due primarily to healthy global equity market returns and robust gains in fixed income and alternative investments.

Total investments held by CalPERS fiduciary funds at June 30, 2011, compared to the 2009-10 fiscal year end, are as follows:

- $8.5 billion in short-term domestic and international securities, a decrease of $1.3 billion (13.3 percent) from $9.8 billion. The decrease was primarily due to a change in the target asset allocation for liquidity.
- $119.1 billion in domestic and international equity securities, an increase of $25.4 billion (27.1 percent) from $93.7 billion.
- $54.1 in domestic and international debt securities, a decrease of $0.2 billion from $54.3 billion.
- $8.1 billion in Inflation Linked Asset Class (ILAC), an increase of $3.1 billion (62.0 percent) from $5.0 billion. The increase was due primarily to an increase in investments in inflation linked bonds, domestic cash equivalents, and domestic U.S. Treasury Securities. The ILAC composition at June 30, 2011 is as follows:
  - $2.6 billion in inflation-linked bonds,
  - $0.7 billion in infrastructure,
  - $2.3 billion in forestland,
  - $2.5 billion in commodities exposure ,and
  - $27.4 million in foreign currency,
- $31.3 billion in real estate on a gross basis (property value). (Real Estate net asset values of $19.1 billion are

reported net of $11.9 billion in related debt). On a gross basis, the real estate increased $2.4 billion from $28.9 billion gross ($13.5 billion in related debt) at fiscal year end 2009-10. The increase was primarily driven by unrealized appreciation and net contributions.

- $34.4 billion in alternative investments, an increase of $5.7 billion (19.9 percent) from $28.7 billion.

Proprietary Funds

CalPERS total unrestricted net assets for proprietary funds at June 30, 2011 were $1,046.2 million, an increase of $745.4 million from $300.8 million at June 30, 2010. The increase was due primarily to the increase in net assets for the LTCF which resulted from the increase in premium rates, increase in investment returns and the decrease in estimated liability due to the change in the investment rate of return assumption from 6.38 percent to the revised projected investment return of 6.25 percent for projection years one through 10, and 7.60 percent for projection years 11 and beyond.

Operating revenues consist of self insurance premiums, Federal Government reimbursement, administrative fees, and other miscellaneous revenues. For the 2010-11 fiscal year, total operating revenues were $2.1 billion, an increase of $0.4 billion (23.5 percent) from the 2009-10 fiscal year. The increase was due primarily to the increase in HCF operating revenues as a result of a temporary two-month premium suspension during the 2009-10 fiscal year, enrollment growth, and increases in provider pricing. Operating expenses consist primarily of claims expense, increase/decrease in estimated liabilities, and administrative expenses. For the 2010-11 fiscal year, total expenses were $1.9 billion, an increase of $0.3 billion (18.8 percent) from the 2009-10 fiscal year. The increase in total expenses was due primarily to increases in provider pricing, increased benefit utilization, enrollment growth, and one extra bi-weekly drug claim cycle in the HCF. Non-operating revenues consist of net appreciation in the fair value of investments, interest, dividends and other investment income. Total non-operating revenues were $560.6 million, an increase in revenues of $160.2 million from $400.4 million in fiscal year 2009-10. The increase was due primarily to healthy global equity market returns and robust gains in fixed income and real estate equities.

Investments

Proprietary funds investments totaled $4.0 billion at June 30, 2011, which were $0.8 billion (25.0 percent) more than $3.2 billion at June 30, 2010.

Total investments held by CalPERS proprietary funds, compared to the 2009-10 fiscal year end, are as follows:

- $225.8 million in liquid, short-term domestic securities, an increase of $69.3 million (44.3 percent) from $156.5 million.
- $1.6 billion in domestic and international equity securities, an increase of $0.4 billion (33.3 percent) from $1.2 billion.
- $2.0 billion in domestic debt securities, an increase of $0.3 billion (17.6 percent) from $1.7 billion.
- $164.6 million in real estate equities, an increase of $38.7 million (30.7 percent) from $125.9 million.

FINANCIAL ANALYSIS OF CalPERS FUNDS

Public Employees' Retirement Fund (PERF)

Plan Net Assets

The PERF provides retirement benefits to State of California and other California public agency employees. PERF benefits are funded by member and employer contributions and by earnings on investments. The PERF net assets held in trust for benefits at June 30, 2011 were $241.8 billion, an increase of $40.2 billion (19.9 percent) from $201.6 billion at June 30, 2010.

Additions to PERF net assets held in trust for benefits include employer and member contributions, and investment income. For the 2010-11 fiscal year, employer and member contributions totaled $11.1 billion, an increase of $0.8 billion from the 2009-10 fiscal year due to higher employer and employee contribution rates and higher salaries. The PERF recognized a net investment income of $43.9 billion for the 2010-11 fiscal year, compared with a net investment income of $25.6 billion for the 2009-10 fiscal year.

Deductions from PERF net assets held in trust for benefits in the 2010-11 fiscal year totaled $14.8 billion, an increase of $1.4 billion (10.4 percent) from the 2009-10 fiscal year. The increase in benefit payments was primarily a result of an increase in the number of beneficiaries from 505,862 to 528,343 and increases in average benefits, including COLA. The costs of administering the PERF benefits amounted to $357.8 million, an increase of approximately $79.8 million (28.7 percent) from the 2009-10 fiscal year, due to an increase in personnel services expenses as the three-day a month furlough was not in effect during the 2010-11 fiscal year. In addition, professional and consulting service expenses increased significantly due to a major IT project.

On a per member and beneficiary basis, the cost of administering PERF benefits during the 2010-11 fiscal year was approximately $219 per individual, an increase of approximately $48 per individual from the 2009-10 fiscal year.

At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the PERF based on the actuarial value of assets was 83.4 percent, which was a 0.1 percentage point increase from the funded status at June 30, 2009. The amount by which PERF actuarial benefit liabilities exceeded actuarial assets was $51.3 billion at June 30, 2010, compared with a $49.1 billion funding deficit at June 30, 2009. Current year gains and deferred prior year investment losses will affect future years' funded status and contribution rates using the CalPERS policy of actuarial asset smoothing. On a market value of assets basis, the funded status improved from 60.8 percent at June 30, 2009 to 65.4 percent at June 30, 2010, due to positive 13.3 percent investment return in 2009-10 fiscal year.

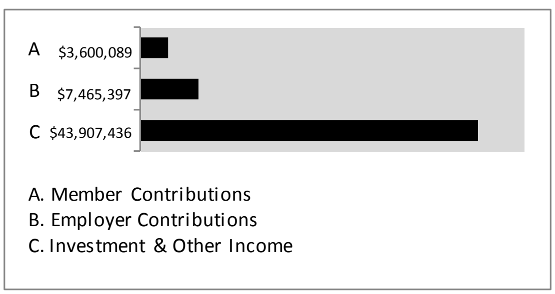
Net Assets — PERF (Dollars in Thousands)

	2011	2010	Total Percentage Change
ASSETS			
Cash, Cash Equivalents & Total Receivables	$3,432,110	$2,915,646	17.7 %
Investments	239,289,463	203,523,909	17.6
Securities Lending Collateral	20,420,264	17,047,678	19.8
Capital Assets, Net & Other Assets	691,045	677,715	2.0
Total Assets	**$263,832,882**	**$224,164,948**	**17.7 %**
LIABILITIES			
Retirement Benefits in Process of Payment, Investment Settlement & Other	$1,806,205	$4,970,727	(63.7) %
Securities Lending Obligations	20,264,886	17,578,147	15.3
Total Liabilities	**$22,071,091**	**$22,548,874**	**(2.1) %**
TOTAL NET ASSETS	**$241,761,791**	**$201,616,074**	**19.9 %**

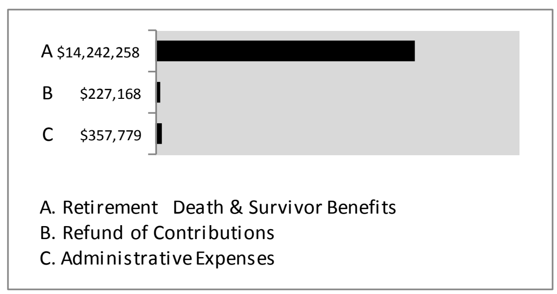
Changes in Net Assets — PERF (Dollars in Thousands)

	2011	2010	Total Percentage Change
ADDITIONS			
Member Contributions	$3,600,089	$3,378,867	6.5 %
Employer Contributions	7,465,397	6,955,049	7.3
Investment Income	43,904,425	25,567,295	71.7
Other Income	3,011	10,234	(70.6)
Total Additions	**$54,972,922**	**$35,911,445**	**53.1 %**
DEDUCTIONS			
Retirement Death & Survivor Benefits	$14,242,258	$12,972,457	9.8 %
Refund of Contributions	227,168	182,387	24.6
Administrative Expenses	357,779	278,036	28.7
Total Deductions	**$14,827,205**	**$13,432,880**	**10.4 %**
INCREASE IN NET ASSETS	**$40,145,717**	**$22,478,565**	**78.6 %**
NET ASSETS			
Beginning of Year	**$201,616,074**	**$178,899,883**	**12.7 %**
Prior Period Adjustment	—	237,626	0.0 %
End of Year	**$241,761,791**	**$201,616,074**	**19.9 %**

Additions — PERF (Dollars in Thousands)



Deductions — PERF (Dollars in Thousands)



Investments

PERF investments, excluding securities lending collateral, totaled $239.3 billion at June 30, 2011, which was $35.8 billion (17.6 percent) more than the $203.5 billion in total PERF investments at June 30, 2010.

At June 30, 2011, the PERF held $116.7 billion in domestic and international equity securities, an increase of $24.8 billion from $91.9 billion at 2009-10 fiscal year end.

In domestic and international debt securities, the PERF held $53.1 billion at June 30, 2011, a decrease of $0.3 billion from $53.4 billion at 2009-10 fiscal year end.

At June 30, 2011 the PERF held approximately $31.0 billion in gross value real estate investments; the net value totals $19.1 billion, which is net of $11.9 billion in real estate related debt. The real estate debt amounts to 38.4 percent of the total gross real estate fair value. On a gross basis, real estate investments increased $2.3 billion from the $28.7 billion gross real estate investments at the 2009-10 fiscal year end.

Real estate investments are classified as investments in accordance with GASB Statement 25. Certain real estate investments are leveraged whereby partnerships have been established to purchase properties through a combination of contributions from CalPERS and other investors and through the acquisition of debt.

The $11.9 billion in real estate debt is made up of $8.6 billion in long-term mortgages payable and $3.3 billion in other short-term liabilities.

At June 30, 2011, the Inflation Linked Asset Class (ILAC) held $2.6 billion in inflation-linked bonds, $0.7 billion in infrastructure, $2.3 billion in forestland, $2.5 billion in commodities exposure, and $27.4 million in foreign currency.

In alternative investments, the PERF held $34.4 billion at June 30, 2011, an increase of $5.7 billion from $28.7 billion at the 2009-10 fiscal year end.

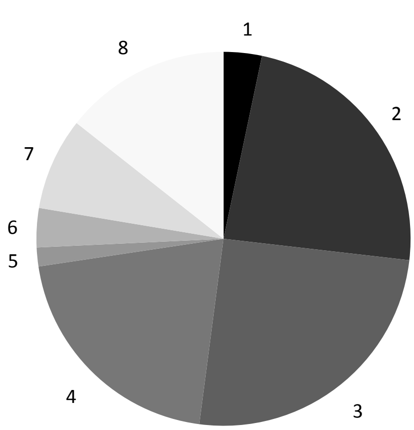
In short-term investments, the PERF held $7.9 billion at June 30, 2011, a decrease of $1.4 billion from the $9.3 billion at the 2009-10 fiscal year end.

The PERF earns additional income by lending investment securities. Borrowers pay a fee for the right to borrow securities, and then provide collateral at 102 percent or 105 percent of the value of the securities borrowed. The over collateralization is an industry standard which minimizes counterparty risk in the event a borrower fails to return a security from on loan. The PERF pays a borrower a rate on collateral held, called a rebate. By re-investing the collateral in short-term, high credit quality securities, the PERF can earn a return above the rebate rate; which is posted as additional income.

For the 2010-11 fiscal year, total securities lending net income amounted to $322.2 million, compared to a $934 net income in 2009-10 fiscal year. Included in this year's income figure is security lending income net of fees of $83.4 million and total realized and unrealized gains of $238.8, which is included in the Net Appreciation in Fair Value of Investments on the financial statements. Of the Net Appreciation balance, $781.3 million represents unrealized gain in the re-invested collateral securities, offset by $542.5 million in realized loss primarily due to the write down of certain Structure Investment Vehicle investments in the re-invested collateral securities for the year ended June 30, 2011.

Effective July 1, 2010 all internal portfolios that participated in securities lending had lending income paid to the portfolio in which it was earned. For 2010-11 fiscal year, securities lending net income for the pools amounted to $38 million.

Investments — PERF (Dollars in Billions)



	Investment Class	Amount	Percent of Investments
1	Short-Term Investments	$7.9	3.3 %
2	Domestic Equity	56.3	23.5
3	International Equity	60.4	25.2
4	Domestic Debt	49.2	20.6
5	International Debt	3.9	1.6
6	Inflation Linked	8.1	3.4
7	Real Estate	19.1	8.0
8	Alternative Investments	34.4	14.4
	TOTAL	**$239.3**	**100.0 %**

OTHER DEFINED BENEFIT PENSION PLANS

Legislators' Retirement Fund (LRF)

Plan Net Assets

The LRF provides retirement benefits to California Legislators elected to office before November 7, 1990, and to all constitutional, legislative, and statutory officers. The number of LRF members has been declining in the last decade as eligible incumbent Legislators leave office and are replaced by those ineligible to participate in the LRF.

The LRF net assets held in trust for benefits at June 30, 2011 totaled $123.5 million, an increase of $9.5 million (8.3 percent) from June 30, 2010.

Additions to LRF net assets held in trust for benefits were primarily investment income. There were no actuarially determined annual required employer or member contributions for 2011. Net investment income was $17.7 million in the 2010-11 fiscal year compared to $17.8 million for the 2009-10 fiscal year.

Deductions from LRF net assets held in trust for benefits are primarily comprised of retirement, death, and survivor benefits. For the 2010-11 fiscal year, these benefits decreased $3.7 million (33.3 percent) to $7.4 million from $11.1 million in 2009-10. The decrease was due to a one-time court ordered payment relating to interest remitted to a beneficiary in 2009-10. On a per member and beneficiary basis, the cost of administering LRF benefits during the 2010-11 fiscal year was approximately $1,432 per individual, a decrease of approximately $13,839 per individual from the 2009-10 fiscal year. The decrease is due to one-time payment relating to legal settlement expenses in 2009-10.

An actuarial valuation of LRF assets and benefit obligations is performed annually using the aggregate cost method, which does not identify unfunded actuarial liabilities. However, the plan has been superfunded (actuarial value of assets have been greater than the present value of benefits) since June 30, 1997. Neither employer nor employee contributions have been necessary since July 1, 1998. In February 2000, the Board of Administration moved to set the member contribution rate of this system to zero percent on an annual basis according to the superfunded status of this system.

Investments

The LRF invests mainly in domestic and international equity securities, as well as domestic debt securities. Total investments were $123.2 million at June 30, 2011, which was $8.7 million (7.6 percent) more than the $114.5 million in total LRF investments at June 30, 2010.

At June 30, 2011, the LRF held $50.4 million in domestic and international equity securities, an increase of $7.0 million from $43.4 million at fiscal year end 2009-10.

The LRF held $72.8 million in domestic debt securities, an increase of $1.7 million from 2009-10 fiscal year end.

Investments — LRF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Domestic Equity	$37.8	30.7 %
International Equity	12.6	10.2
Domestic Debt	72.8	59.1
TOTAL	**$123.2**	**100.0** %

Judges' Retirement Fund (JRF)

Plan Net Assets

The JRF provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges appointed or elected before November 9, 1994. The JRF net assets held in trust for benefits at June 30, 2011, totaled $54.1 million, a decrease of $9.0 million from June 30, 2010.

Additions to JRF net assets held in trust for benefits include employer and member contributions, investment income, and State "Balancing Contributions" (see Note 5 of the *Notes to the Basic Financial Statements*). For the 2010-11 fiscal year, employer, member, and State "Balancing Contributions" decreased $18.8 million (9.8 percent) to $174.0 million, from $192.8 million for the 2009-10 fiscal year, primarily due to the decrease in member, employer, and the State General Fund contributions. Contributions are declining because the JRS is a closed system and membership is declining. The State "Balancing Contributions" decreased $16.2 million (9.2 percent) to $159.0 million for the 2010-11 fiscal year, compared to $175.2 million for the 2009-10 fiscal year. The decrease in State "Balancing Contributions" was due to an excess of net assets balance carried forward from the prior year. The number of retirees increased from 1,843 in the 2009-10 fiscal year to 1,874 in the 2010-11 fiscal year. The number of active members decreased from 478 in fiscal year 2009-10 to 425 in fiscal year 2010-11.

Deductions from JRF net assets held in trust for benefits are primarily composed of retirement, death, and survivor benefits. For the 2010-11 fiscal year, these benefits amounted to $185.1 million, an increase of $6.2 million (3.5 percent) from the 2009-10 fiscal year. The increase in benefit payments was mainly a result of an increase in the number of retirees and beneficiaries.

On a per member and beneficiary basis, the cost of administering JRF benefits during 2010-11 was approximately $508 per individual, an increase of approximately $100 per individual from fiscal year 2009-10 due to a major IT project which increased administrative expenses and a decreasing member population.

The JRF is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a State General Fund augmentation are used to provide funding for benefit payments. This funding method is generally more expensive in the long term, as the plan does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in fiscal year 2011-12.

Investments

The JRF invests only in short-term securities. Total investments were $52.6 million at June 30, 2011, which was $8.8 million less than the $61.4 million in total investments at June 30, 2010. The decrease is due to a lower General Fund augmentation and higher benefit expenses.

Judges' Retirement Fund II (JRF II)

Plan Net Assets

The JRF II provides retirement benefits to California Supreme and Appellate Court Justices, Superior Court Judges, and Municipal Court Judges first appointed or elected after November 9, 1994. Net assets held in trust for benefits at June 30, 2011 were $575.8 million, an increase of $155.2 million (36.9 percent) from June 30, 2010.

Additions to JRF II net assets held in trust for benefits include employer and member contributions, as well as investment income. Contributions increased $13.7 million (23.3 percent), to $72.5 million for the 2010-11 fiscal year, from $58.8 million for the 2009-10 fiscal year, partly as a result of a 7.8 percent increase in active membership from 2010 to 2011. For the 2010-11 fiscal year, the fund had a net investment income of $91.6 million, compared with $50.8 million for 2009-10 fiscal year.

Deductions from JRF II net assets held in trust for benefits are composed of defined retirement benefits, survivor and death benefits, and a cash balance which represents refunds on the financial statements (Monetary Credits) plan for Judges who leave the bench before becoming eligible for a defined benefit. For the 2010-11 fiscal year, defined retirement and survivor benefits increased to $2.2 million from $1.4 million in fiscal year 2009-10 due to an increase in retirees and beneficiaries from 19 in fiscal year 2009-10 to 30 in fiscal year 2010-11. Monetary Credits and other lump sum payments increased $3.3 million from $2.6 million in the 2009-10 fiscal year to $5.9 million in the 2010-11 fiscal year (127.0 percent), primarily due to an increase in the number of Judges leaving the bench prior to becoming eligible for a defined monthly retirement benefit. On a per member and beneficiary basis, the cost of administering JRF II benefits during fiscal year 2010-11 was approximately $542 per individual, an increase of approximately $136 per individual from fiscal year 2009-10.

An actuarial valuation of the JRF II assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status based on the actuarial valuation of assets, increased to 88.5 percent from 84.0 percent at June 30, 2009. At June 30, 2010, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $60.0 million, while the amount by which the actuarial accrued liabilities exceeded the actuarial value of assets at June 30, 2009, were approximately $72.0 million. On a market value of assets basis, the funded status improved from 70.1 percent at June 30, 2009 to 81.0 percent at June 30, 2010, due to positive 16.6 percent investment return in 2009-10 fiscal year.

Investments

The JRF II invests mainly in short-term investments, domestic and international equity securities, domestic debt securities, and real estate equities. Total investments amounted to $570.3 million at June 30, 2011, which was

$159.1 million (38.7 percent) more than the $411.2 million at June 30, 2010.

At June 30, 2011, the JRF II held $307.8 million in domestic and international equity securities, an increase of $94.2 million from $213.6 million at the 2009-10 fiscal year end.

In domestic debt securities, the JRF II held $198.9 million at June 30, 2011, an increase of $41.5 million from $157.4 million at the 2009-10 fiscal year end.

In real estate investments, which are comprised of real estate investment trusts, the JRF II held $56.5 million at June 30, 2011, an increase of $16.6 million (41.6 percent) from the $39.9 million at the 2009-10 fiscal year end. In short-term investments, the JRF II held $7.1 million at June 30, 2011, an increase of $6.8 million from $0.3 million at the 2009-10 fiscal year end.

Investments — JRF II (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$7.1	1.2 %
Domestic Equity	193.3	33.9
International Equity	114.5	20.1
Domestic Debt	198.9	34.9
Real Estate	56.5	9.9
TOTAL	**$570.3**	**100.0 %**

Net Assets — Other Defined Benefit Pension Plan Funds (Dollars in Thousands)

	LRF		JRF		JRF II	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash, Cash Equivalents & Total Receivables	$1,065	$1,148	$1,952	$2,709	$5,712	$11,667
Investments	123,209	114,542	52,596	61,382	570,313	411,203
Total Assets	**$124,274**	**$115,690**	**$54,548**	**$64,091**	**$576,025**	**$422,870**
Total Liabilities	**$798**	**$1,654**	**$402**	**$998**	**$192**	**$2,263**
TOTAL NET ASSETS	**$123,476**	**$114,036**	**$54,146**	**$63,093**	**$575,833**	**$420,607**

Changes in Net Assets — Other Defined Benefit Pension Plan Funds (Dollars in Thousands)

	LRF		JRF		JRF II	
	2011	2010	2011	2010	2011	2010
ADDITIONS						
Member Contributions	$3	$17	$6,658	$7,361	$18,589	$16,178
Employer Contributions	—	—	167,302	185,389	53,863	42,589
Investment Income	17,667	17,793	184	332	91,596	50,801
Other Income	—	—	3,216	3,486	—	—
Total Additions	**$17,670**	**$17,810**	**$177,360**	**$196,568**	**$164,048**	**$109,568**
DEDUCTIONS						
Retirement Benefits	$7,382	$11,082	$185,119	$178,861	$2,236	$1,392
Refund of Contributions	440	35	—	32	5,870	2,592
Administrative Expenses	408	4,444	1,188	968	716	494
Total Deductions	**$8,230**	**$15,561**	**$186,307**	**$179,861**	**$8,822**	**$4,478**
INCREASE (DECREASE) IN NET ASSETS	**$9,440**	**$2,249**	**($8,947)**	**$16,707**	**$155,226**	**$105,090**
NET ASSETS						
Beginning of Year	**$114,036**	**$111,787**	**$63,093**	**$46,386**	**$420,607**	**$315,517**
End of Year	**$123,476**	**$114,036**	**$54,146**	**$63,093**	**$575,833**	**$420,607**

DEFINED CONTRIBUTION PENSION PLANS

State Peace Officers' & Firefighters' Defined Contribution Plan Fund (SPOFF)

Plan Net Assets

The SPOFF provides supplemental retirement benefits to eligible safety employees. Net assets held in trust for pension benefits increased by $94.3 million (23.2 percent) to $499.9 million at June 30, 2011, from $405.6 million at June 30, 2010.

Contributions were $39.1 million for fiscal year 2010-11, a decrease of $13.1 million (25.1 percent) from fiscal year 2009-10. The decrease was due to the suspension of contributions by the State of California during the 2010-11 fiscal year. Effective April 1 2011 the State discontinued contributing on behalf of rank and file, and effective for the May, 2011 pay period, the State discontinued contributing on behalf of supervisors, management, and exempt positions. Net investment income was $88.0 million for the fiscal year 2010-11, compared to $37.6 million for the 2009-10 fiscal year.

SPOFF participant withdrawals were $30.9 million for the 2010-11 fiscal year, an increase of $8.2 million (36.1 percent) from 2009-10 fiscal year.

Investments

The SPOFF invests mainly in domestic equity and debt securities. Total investments were $500.6 million at June 30, 2011, which was $98.3 million (24.4 percent) more than the $402.3 million at June 30, 2010.

Investments — SPOFF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$33.7	6.7 %
Domestic Equity	213.6	42.7
International Equity	83.1	16.6
Domestic Debt	155.4	31.0
Real Estate	14.8	3.0
TOTAL	**$500.6**	**100.0 %**

Public Agency Deferred Compensation Plan (IRC 457)

Plan Net Assets

The CalPERS Board is the trustee for public agency participant assets in the IRC 457 deferred compensation program. Net assets held in trust for pension benefits at June 30, 2011, were $947.1 million, an increase of

$144.1 million (17.9 percent), from $803.0 million at June 30, 2010.

Additions to IRC 457 net assets consist of member contributions of $89.5 million in fiscal year 2010-11, compared to $108.4 million in 2009-10. Net investment income amounted to $151.9 million for fiscal year 2010-11, compared to $73.0 million for fiscal year 2009-10.

Deductions from the IRC 457 net assets consist primarily of participant withdrawals of $93.8 million, an increase of $47.4 million (102.2 percent) from the prior fiscal year of $46.4 million. The primary reason for the increase was the City of Anaheim ending participation in the IRC 457 deferred compensation program.

Investments

The IRC 457 investments were $943.6 million at June 30, 2011, which was $143.1 million more than the $800.5 million at June 30, 2010. The IRC 457 is participant directed investments.

In domestic and international equity securities, the IRC 457 held $577.7 million at June 30, 2011, an increase of $135.3 million from $442.4 million at fiscal year end 2009-10.

In domestic debt securities, the IRC 457 held $167.4 million at June 30, 2011, a decrease of $150.2 million from $317.6 million at fiscal year end 2009-10.

In short-term investments, the IRC 457 held $189.6 million at June 30, 2011, an increase of $155.3 million from $34.3 million at fiscal year end 2009-10.

Investments — IRC 457 (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$189.6	20.1 %
Domestic Equity	477.7	50.7
International Equity	100.0	10.6
Domestic Debt	167.4	17.7
Real Estate	8.9	0.9
TOTAL	**$943.6**	**100.0 %**

Supplemental Contributions Program Fund (SCPF)

The SCPF was established effective January 1, 2000, to provide supplemental retirement benefits to members of CalPERS and is entirely member funded. Net assets held in trust for pension benefits increased to $19.7 million at June 30, 2011.

Contribution revenues were $0.3 million for the 2010-11 fiscal year, a decrease of $0.2 million from the 2009-10 fiscal year. Net investment income was $3.6 million for fiscal year 2010-11, compared to investment income of $1.9 million for fiscal year 2009-10.

For fiscal year 2010-11, participant withdrawals were $2.1 million, an increase of $0.5 million (31.3 percent) from fiscal year 2009-10.

Investments

The SCPF investments were $19.7million at June 30, 2011, which was $1.8 million more than the $17.9 million in total investments at June 30, 2010.

At June 30, 2011, the SCPF held $11.6 million in domestic and international equity securities, an increase of $1.0 million from $10.6 million at fiscal year end 2009-10.

In domestic debt securities, the SCPF held $6.0 million at June 30, 2011, an increase of $0.8 million from $5.2 million at 2009-10 fiscal year end.

In short-term investments, the SCPF held $1.7 million at June 30, 2011, virtually no change from 2009-10 fiscal year end.

Investments — SCPF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$1.7	8.6 %
Domestic Equity	8.4	42.7
International Equity	3.1	15.7
Domestic Debt	6.0	30.5
Real Estate	0.5	2.5
TOTAL	**$19.7**	**100.0 %**

Net Assets — Defined Contribution Pension Plan Funds (Dollars in Thousands)

	SPOFF		IRC 457		SCPF	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash, Cash Equivalents						
& Receivables	$14	$4,313	$5,752	$4,844	$16	$21
Investments	500,608	402,335	943,555	800,516	19,677	17,992
Total Assets	**$500,622**	**$406,648**	**$949,307**	**$805,360**	**$19,693**	**$18,013**
Total Liabilities	**$749**	**$1,095**	**$2,245**	**$2,341**	**$35**	**$53**
TOTAL NET ASSETS	**$499,873**	**$405,553**	**$947,062**	**$803,019**	**$19,658**	**$17,960**

Changes in Net Assets — Defined Contribution Pension Plan Funds (Dollars in Thousands)

	SPOFF		IRC 457		SCPF	
	2011	2010	2011	2010	2011	2010
ADDITIONS						
Member Contributions	$0	$0	$89,531	$108,436	$285	$536
Employer Contributions	39,066	52,219	84	84	—	—
Investment Income	88,035	37,643	151,932	72,951	3,610	1,884
Transfer In	—	3,397	—	720	—	32
Other Income	7	34	214	138	—	1
Total Additions	**$127,108**	**$93,293**	**$241,761**	**$182,329**	**$3,895**	**$2,453**
DEDUCTIONS						
Administrative Expenses	$1,839	$1,758	$3,874	$3,491	$84	$117
Participant Withdrawals	30,949	22,743	93,844	46,418	2,113	1,624
Total Deductions	**$32,788**	**$24,501**	**$97,718**	**$49,909**	**$2,197**	**$1,741**
INCREASE IN NET ASSETS	**$94,320**	**$68,792**	**$144,043**	**$132,420**	**$1,698**	**$712**
NET ASSETS						
Beginning of Year	**$405,553**	**$336,761**	**$803,019**	**$670,599**	**$17,960**	**$17,248**
End of Year	**$499,873**	**$405,553**	**$947,062**	**$803,019**	**$19,658**	**$17,960**

OTHER POST-EMPLOYMENT BENEFIT FUND

California Employers' Retiree Benefit Trust Fund (CERBTF)

Plan Net Assets

The CERBTF is a trust for the pre-funding by employers of health, dental, and other non-pension benefits promised to employees when they retire. Net assets held in trust for benefits on June 30, 2011 were $1.9 billion, an increase of $0.6 billion due primarily to robust investment returns and to an increase of participating employers from 258 in the 2009-10 fiscal year, to 306 (representing 309 OPEB plans) at June 30, 2011.

Additions to the CERBTF net assets held in trust for OPEB benefits include employer contributions, which total $758.3 million in fiscal year2010-11, an increase of $83.9 million (12.4.percent) compared to $674.4 million in 2009-10, primarily due to the increase in participating employers. During the 2010-11 fiscal year the fund earned a net investment income of $331.5 million, an increase of $202.6 million (157.2 percent), compared to $128.9 million in fiscal year 2009-10. The increase is primarily due to equity market and fixed income increases.

Deductions for OPEB reimbursements from the CERBTF net assets held in trust for benefits totaled $508.0 million in 2010-11 fiscal year, an increase of $153.4 million (43.3 percent) due to greater participation in the trust. Deductions for administrative expenses totaled $2.3 million, including $0.3 million in expenses recognized in employer accounts in prior years. The amounts reported for contributions and reimbursements include $474.4 million for benefit payments made directly by employers to providers outside of the trust, which are required to be reported in the CERBTF.

At June 30, 2010, the date of the most recent actuarial valuation, the funded status increased to 9.0 percent from 8.3 percent at June 30, 2009. At June 30, 2010, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $13.0 billion.

Net Assets — Other Post-Employment Benefit Fund

(Dollars in Thousands)

	CERBTF	
	2011	2010
ASSETS		
Cash, Cash Equivalents & Receivables	$16,339	$10,392
Investments	1,870,578	1,289,746
Total Assets	**$1,886,917**	**$1,300,138**
Total Liabilities	**$20,229**	**$12,937**
TOTAL NET ASSETS	**$1,866,688**	**$1,287,201**

Changes in Net Assets — Other Post-Employment Benefit Fund (Dollars in Thousands)

	CERBTF	
	2011	2010
ADDITIONS		
Employer Contributions	$758,251	$674,406
Investment Income	331,492	128,918
Total Additions	**$1,089,743**	**$803,324**
DEDUCTIONS		
Administrative Expenses	$2,305	$822
Reimbursements	507,951	354,593
Transfer Out	—	9,589
Total Deductions	**$510,256**	**$365,004**
INCREASE IN NET ASSETS	**$579,487**	**$438,320**
NET ASSETS		
Beginning of Year	**$1,287,201**	**$848,881**
End of Year	**$1,866,688**	**$1,287,201**

Investments

At June 30, 2011, the CERBTF held $77.8 million in short-term investments, an increase of $7.1 million (10.0 percent) from the $70.7 million at June 30, 2010, $1,156.7 million in domestic and international equity securities, an increase of $396.3 million (52.1 percent) from the $760.4 million held at June 30, 2010, $457.0 million in domestic debt securities, an increase of $118.1 million (34.8 percent) from the $338.9 million at June 30, 2010, and $179.2 million in real estate equities, an increase of $59.5 million (49.7 percent) from the $119.7 million held at June 30, 2010.

Investments — CERBTF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$77.8	4.2 %
Domestic Equity	630.8	33.7
International Equity	525.9	28.1
Domestic Debt	457.0	24.4
Real Estate	179.1	9.6
TOTAL	**$1,870.6**	**100.0 %**

ENTERPRISE FUNDS

Public Employees' Health Care Fund (HCF)

Plan Activity

The HCF accounts for the activities of the CalPERS self-insured health care programs.

The self-insured health care programs incurred claims expenses of $1.7 billion for the 2010-11 fiscal year, an increase from $1.6 billion or 6.3 percent from the 2009-10 fiscal year, primarily due to increases in provider pricing, increased benefit utilization, enrollment growth, and one extra bi-weekly drug claim cycle during the 2010-11 fiscal year. Premium revenues were $1.8 billion for the 2010-11 fiscal year, an increase from $1.4 billion or 28.6 percent from the 2009-10 fiscal year, The increase was primarily due to a 2009-10 fiscal year Board approved two-month premium holiday, during which participants did not have to pay for health care premiums. Net investment income was $22.4 million for the 2010-11 fiscal year, a decrease from $47.7 million or 52.8 percent from the 2009-10 fiscal year due to the two- month premium suspension ($260 million) in the 2009-10 fiscal year which in turn reduced the amount invested. Due to increases to incurred claims the unrestricted net assets decreased by $41.5 million (10.2 percent) to $365.9 million at June 30, 2011.

Investments

Investments of the HCF include liquid, short-term and domestic debt securities. Investments increased $84.2 million from $530.7 million at June 30, 2010, to $614.9 million at June 30, 2011.

Investments — HCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$160.4	26.1 %
Domestic Debt	454.5	73.9
TOTAL	**$614.9**	**100.0 %**

Public Employees' Contingency Reserve Fund (CRF)

The CRF was established to fund administrative costs related to the CalPERS health care programs and to provide a contingency reserve for potential increases in future health care premium rates or health care benefit costs. Administrative fees collected and related costs are accounted for in the CRF Proprietary Fund type.

Administrative fees earned by the CRF were $23.8 million for the 2010-11 fiscal year, an increase of 6.3 percent from 2009-10 fiscal year of $22.4 million. The Administrative fees that are collected are a composite of three items.

- Enrollment which increased from 1,309,902 Total Covered Lives (TCL) at July 2010 to 1,354,987 TCL at July 2011. An increase of 45,085 TCL per the Thomson Reuters Report titled "CalPERS Health Program Enrollment Report."
- Premium Rates which increased an average of 9.9 percent for basic plans and 3.4 percent for Medicare Plans in 2011.
- Administrative Fee Rate decreased from 0.43 percent in fiscal year 2009-10 to 0.37 percent in fiscal year 2010-11. The reduction was due to a one-time expenditure ($3.140 million) which expired, thus requiring less revenue.

Net investment income was $1.0 million for the 2010-11 fiscal year, a decrease of 9.1 percent from the 2009-10 fiscal year. Unrestricted net assets decreased by $2.5 million (21.2 percent) to $9.3 million at June 30, 2011.

Public agency health payments and remittances to contracted health care providers are reported in the CRF Agency Fund type. Public agencies remitted approximately $2.1 billion for payments to contracted health care providers in fiscal year 2010-11.

Investments

Investments of the CRF proprietary activity at June 30, 2011 and 2010 included only liquid, short-term securities, as